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Survivor Allowance Regime in Social Insurance System in Vietnam

¹ Thi Hong Net Vu, ² Bich Hong Hoang, ³ Hong Chuyen Dao
^{1, 2, 3} University of Labor and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Bich Hong Hoang**

Abstract

When researching the survivor allowance regime, we found that this regime plays a crucial role for the relatives of employees. Unlike other risks that may result in temporary income reduction or loss for the laborers, in which the workers' families can overcome economic difficulties, death risks permanently deprive the families of income from their breadwinner, and it also leads to funeral expenses. In Vietnam, as well as in many other countries, the survivor

allowance regime has been implemented as part of social security policies to stabilize the lives of workers' family members. Although the survivor allowance regime has been periodically adjusted to align with socio-economic conditions, it still has various limitations. This article focuses on evaluating the current survivor allowance regime and proposing solutions to improve the survivor allowance regime and maximize its role.

Keywords: Regime, Insurance, Vietnam

1. Introduction

For every family, workers are the economic breadwinner, because their salary or income not only supports themselves but also provides for other dependent members. Therefore, when workers unfortunately get sick, face disability, workplace accidents, or pass away, the family's income is significantly reduced. Dependent family members will lose their source of support, such as children can not keep going to schools, and even the cost of burial can become a financial burden. The survivor's benefit or death benefit scheme was created to ensure the livelihood of the employee's families in case the employees pass away. The survivors' pension is one of nine social security regimes outlined in ILO Convention No. 102-Convention on Minimum Standards on Social Security adopted by the International Labor Organization (ILO) in 1952. Since then, most countries worldwide have implemented this regime. In the Convention, this regime was designed to provide benefits to widows and their children when their husbands pass away. At that time, as new industries were formed and developed in European countries, a working class was forming, where men were often the breadwinners in their families, so when the husband passed away, the wife, children and other dependents would have no income to support themselves. Today, as society develops as well as equality between men and women is respected, most countries, when establishing the survivor allowance regime, also include children and widows, as well as husbands, fathers and mothers as eligible beneficiaries.

The survivor allowance regime continues to assert its role in each country's social security policies, as many family breadwinners pass away, leaving numerous dependents without a source of livelihood. According to statistics from the International Labor Organization (ILO), there are 2.8 million workers who die every year only because of labor accidents and occupational diseases (ILO, 2022) ^[4]. This figure does not even include other risks such as illness, disease, and different accidents, especially large-scale disasters and pandemics like the Covid-19 pandemic that has claimed 6,957 million lives. It can be seen that many families have been able to maintain their livelihoods, and many children have been able to continue their education thanks to the survivor allowance regime.

In Vietnam, the survivor allowance regime is also one of the early-established social insurance schemes and it has undergone several reforms to meet the needs of workers and ensure national social security. As the scope of protection under this regime has been expanded, the number of beneficiaries and benefit levels have increased. In recent years, the regime provides benefits to approximately 330,000 people annually. However, there are still many limitations that need to be amended, such as the number of people covered by this regime remains relatively low, accounting for only one-third of the labor force within the eligible age range, the monthly benefit level is low and may not be sufficient to ensure children's education.

2. Literature Review and Research Methodology

2.1 Literature Review

Survivor allowance scheme (benefits for employees' family members) is a social insurance regime for family members of laborers who are currently working or have previously participated in labor relations (receiving insurance benefits) but passed away. This regime is designed to partially support funeral expenses and family members of deceased workers, helping them cope with the loss of the breadwinner in the families.

While other social insurance schemes provide direct benefits to the insured individuals, the survivor allowance scheme offers benefits to their family members. This scheme helps employees fulfill their responsibilities to their family members, whom they have to directly support during their lifetime. For relatives that the employees are obliged to support, the top priority is given to minor children since they can not work to earn their own livelihood yet, and then are spouses and parents. In many countries, parents are not eligible for survivor's benefits because they already receive a pension, at least at the basic pension level that everyone receives upon reaching retirement age. Depending on the financial capacity of the fund, relatives' income, etc., family members may receive a one-time or monthly survivor' benefits.

Nowadays, every country recognizes that alongside achievements in science and technology contributing to economic development, there are emerging social issues like inequality, wealth disparity, disasters, epidemics, etc. which cause a part of people to fall into poverty and lack access to basic social services, especially children and the elderly. Therefore, the International Labor Organization (ILO), whose mission is to promote social justice, human rights and labor rights recognized worldwide, has adopted conventions and recommendations as standards for member countries to apply. Convention 102 is considered the fundamental social security convention as well as the basis for promulgating future social security conventions, including Recommendation 202 that recommends the establishment of a national social security scale. Survivor allowance scheme is one of the important regimes within Convention 102 (member countries must apply at least three out of nine regimes, including at least one of the following benefits: Unemployment, Old-age, Work accidents or occupational diseases, Disability and Survivor), since this regime ensures the livelihood of children and the elderly. Countries have chosen to establish and implement the survivor allowance regime as part of their social security strategies.

According to Convention 102 in 1952, the basic content of survivor allowance regime includes:

- Protected subjects: Widows or children who have lost their means of living due to the death of families' breadwinners and are not engaged in work to earn a certain level of income.
- Scope of protection: (i) workers or breadwinners account for at least 50% of all salaried employees, (ii) spouses and children (beneficiaries) represent a minimum of 20% of the total permanent residents, (iii) widows and children whose income does not exceed the prescribed level, (iv) for undeveloped countries, it may be temporarily applied with at least 50% of salaried workers in industrial enterprises employing 20 or more workers.

- Benefit level: Spouses and children receive regular monthly payments if the worker meets the conditions of contribution seniority, and there is a minimum benefit level set as a percentage of the worker's salary/income when alive. This benefit level is also adjusted when the cost of living increases (inflation).

2.2 Research Methodology

The article uses qualitative research method, particularly the following specific methods:

- Logical-historical method, used to summarize theoretical documents related to survivor benefits regime and its role in ensuring social security.
- Descriptive statistics method, used to analyze the actual implementation of survivor benefits regime in Vietnam, based on data from Vietnam Social Security and General Statistics Office.
- Analysis-synthesis method and normative research, used to synthesize, analyze the evaluation of survivor benefits regime and organize its implementation framework in Vietnam.

3. The Reality of Survivor Benefits Regime in Vietnam

3.1 Basic Contents of Survivorship Benefits

In Vietnam, right after the establishment of the country in 1945, President Ho Chi Minh signed Decree No. 170/SL dated August 27, 1946, regulating the monthly survivorship benefits for widows and orphans (relatives of state employees). Since then, the regime has been supplemented and amended several times to suit practical conditions. In 2006, the National Assembly passed the Law on Social Insurance, according to which there are not only survivorship benefits for employees participating in compulsory social insurance but also a regime for voluntary social insurance participants. After that, the survivorship benefits were amended and stipulated in the Law on Social Insurance No. 58/2014/QH13.

- *Benefits for Compulsory Social Insurance Participants*
Participants: state civil servants and employees; employees working under labor contracts with indefinite term or with a term of no less than 1 month; employees working abroad under contracts; commune-level non-professional cadres.
Beneficiaries: relatives of employees, including children; spouse; biological parents, parents-in-law; and others whom the employees are responsible for caring.
The benefits include burial fee, monthly survivorship allowance or lump-sum survivorship allowance.
Burial fee: provided that the employee has paid premiums for at least 12 months; the same level of burial allowance applies for all cases, calculated as 10 months of base salary.
Monthly survivorship benefit: to enjoy to this benefit, employees and their relatives are required to meet certain conditions. The conditions for employees' relatives to be considered for monthly survivorship allowance are that the employee has at least 15 years of contribution, passed away due to illness or accident; or died due to a labor accident or occupational disease; or is receiving a monthly labor accident or occupational disease allowance due to a working capacity decrease of 61% or more; or is on a monthly pension. The conditions for benefit entitlement of relative are that they must be children under 18 years old (the age of ending high school education), spouses, parents who have reached the end of working age, or the relatives of working

age but having their working capacity decreased by 81% or more. These relatives must not have incomes that meet the minimum standard of living. The benefit level is 50% of the base salary, or 70% of the base salary if the relatives have no caregivers (in Vietnam, the base salary is the lowest salary that workers can receive, excluding other regimes).

Lump-sum survivorship regime: applicable to cases where the employees are not eligible for their relatives to enjoy monthly survivorship benefits, or the employees are eligible but their relatives are not. The level of benefit which depends on the time of social insurance contribution and the average salary is 1.5 to 2 months of the average salary. For people who are on a monthly pension, the level of benefit is calculated according to the time they have received the pension.

For employee's relatives who are eligible for a monthly survivorship allowance, they can request a lump-sum survivor allowance if they wish.

▪ *Benefits for Voluntary Social Insurance Participants*

Participants: Vietnamese citizens who are 15 years old or older, not subject to the law on compulsory social insurance. The benefits for this subject is different from the benefits for compulsory social insurance participants in some aspects:

- Employees can only enjoy the burial fee regime if they have contributed premiums for 5 years.
- Relatives are not entitled to the monthly survivorship benefit, but only to a lump-sum survivorship regime.

Participating in voluntary social insurance, including survivorship regime, employees will be supported by the state to pay a part of the premium. The level of support will be higher if the employees are poor or near-poor and the maximum support period is 10 years.

In cases of compulsory social insurance participation, after switching to voluntary social insurance, the regulations on compulsory social insurance shall be applied for settlement.

Although the survivorship regime has been amended many times and the regime for employees' relatives has been increasingly ensured, there are still some limitations on the survivorship benefits as follows:

- There is no specific guidance on survivorship regime settlement for the case of dead employees who do not have or no longer have a relative as prescribed (children, spouse, parents, caregivers).
- The regime of burial fee for voluntary social insurance participants is not reasonable. If employees who have had 59 months of social insurance contribution die, their relatives are not entitled to burial fee, but if they have had 60 months of contribution, their relatives are entitled to burial fee. The difference in benefits for compulsory and voluntary social insurance participants do not encourage employees to participate in this voluntary social insurance.

3.2 Outcomes

Survivorship benefits in Vietnam are managed by the Vietnam Social Security, the body in charge of managing participants, collecting contributions, settling the regime, making payments to relatives, and managing funds. Its task is to increase the number of employees participating in social insurance in general and the survivorship regime in particular to achieve the goal of social security. The results of participating in the survivorship regime are as follows:

Table 1: Proportion of workers participated in survivor allowance regime

Criteria	Year	Cal Unit	2018	2019	2020	2021	2022
1	Number of compulsory participating workers ⁽¹⁾	Thousand people	14,309	15,062	14,962	15,003	16,050
2	Number of voluntary participating workers ⁽¹⁾	Thousand people	277	558	1,125	1,150	1,870
	Toatal number of participating workers ⁽¹⁾		14,586	15,620	16,087	16,153	17,920
3	Labor force in working age ⁽²⁾	Thousand people	48,700	49,100	48,300	49,200	46,000
4	Participation rate	%	30.0	31.8	33.3	32.83	39.0

Source: ⁽¹⁾ Vietnam Social Security; ⁽²⁾ General Statistics Office

The number of participants in the survivorship regime of both types increases every year (except for 2020, the number of compulsory social insurance participants decreased slightly due to the impact of the Covid-19 pandemic). The growth rate of the voluntary participants is much higher than the compulsory one, but in terms of quantity, the number of participants is still very low compared to its potential. For example, in 2022, the number of employees in the informal sector (equivalent to the number of people who are subject to voluntary social insurance regime) is about 19,116 thousand people, the number of participants in the survivorship regime is 1,870 thousand people, accounting for only 9.78%. The rate of participants in survivorship regime compared to the labor force in the working age group is low, although it has increased over the years. Specifically, it reached 30% in 2018 and 39% in 2022. Thus, nearly two-thirds of employees do not participate in survivorship regime, and their relatives have no alternative income when the employees die. The low participation rate, as reported by Vietnam Social Security, is due to the fact that many people are subject to compulsory social insurance participation but evade it (fail to seriously comply with the law). In addition, the risk of death is in the far future, so many employees have not acknowledged the role of this regime. Many employees with low income are not ready to participate in it. In addition to employees who are participating in survivorship regime as shown in the table above, relatives of pensioners and other monthly social insurance beneficiaries are also entitled to survivorship benefits when they die. However, almost all of these subjects are not family's breadwinners, and the number of their dependent relatives is not much, so the survivorship benefit is mainly for ensuring burial costs while the allowance for their relatives only helps a little. The low ratio of employees participating in social insurance compared to the labor force in the age group (the rate of survivorship regime participants) leads to a low proportion of elderly people with pensions and monthly social insurance allowances. For instance, by the end of 2022, there were 12 million people aged 60 and over, but there were only 3.3 million people to receive pensions and monthly social insurance allowances (Ba Do, 2023) ^[1]. Relatives of 8.7 million people were not protected by the survivorship benefits.

When participants in the survivor regime die, their relatives will be entitled to burial allowance, monthly or lump-sum survivorship allowance. The number of beneficiaries is listed in the following table:

Table 2: Number of people receiving survivor benefits

Unit: thousand people

S. No	Criteria	Year				
		2018	2019	2020	2021	2022
1	Number of people receiving funeral expenses	59.7	59.0	63.1	60.9	68.8
2	Number of people receiving lump-sum survivor benefits	47.4	48.2	50.6	55.9	59.7
3	Number of people receiving survivor benefits monthly	271.9	288.5	290.6	290.8	294.4

Source: (*) Vietnam Social Security

The table shows that the majority of relatives of employees choose to enjoy lump-sum survivorship allowance. In 2018, there were 47.4 thousand cases of lump-sum survivorship allowance out of 59.7 thousand deaths, accounting for 79.4%. Similarly, in 2022, the ratio is 86.8%. In addition to the reason that employees or their relatives are not eligible for the benefit, the most basic reason is that according to the regulations, the monthly benefit is lower than the lump-sum benefit. The monthly benefit level in 2022 is VND 740 thousand/month, which is only equal to nearly half of the standard poor household income in rural areas (VND 1500 thousand /month). For relatives without caregivers, the benefit level is 1.4 times higher, which is not enough to ensure their life and cannot cover the cost of schooling for their children. The lump-sum survivorship allowance may be higher, but its limitation is that if relatives fail to allocate and use survivorship allowance efficiently, it is difficult for them to ensure daily life. For example, they may use the lump-sum survivorship allowance to invest but fail to use it to purchase some fixed assets.

4. Solutions to Perfect the Survivorship Regime

The risk of "death" is a certain risk, only different in time, therefore, participating in the survivorship regime is the objective needs of employees. By participating in this regime, employees will be assured of labor and production because their relatives' lives have been guaranteed.

In order for the survivor regime to be truly beneficial to employees and their relatives, and at the same time contribute to social stability, the following measures can be taken to perfect this regime:

- Correction of unreasonable regulations on survivorship regime

The condition to be entitled to burial cost is that the employee must have a minimum period of contribution of 12 months when participating in compulsory social insurance and 60 months when participating in voluntary one. Thus, there is no fairness although the minimum contribution of compulsory social participants is higher. In order to avoid profiteering, the voluntary social participants' minimum contribution is recommended to be higher, but the difference should not be too large. Moreover, even with the voluntary type, as mentioned above, in many cases, the difference is only 1 month of payment but the benefits are so different (while people who pays voluntary social insurance premium for 60 months is entitled to burial fee of equal to 10 months of base salary, people with 59 months of

contribution are entitled to no burial fee). In order to ensure fairness and equality among employees and to avoid profiteering (participating when having a serious illness already), the same condition for entitlement of burial fee may apply, but for voluntary social insurance participants, if the payment period is less than 60 months, the benefit level may be lower.

The payment support from the State budget should be higher for voluntary social insurance participants but the support period may be shorter to motivate and develop the habit of participating in social insurance for employees.

The monthly survivorship benefit is suggested to increase to ensure the minimum living standard for relatives; the benefit should be at least equal to the standard poor household income in rural areas.

- Expansion of compulsory participant subjects

Currently, there are various employees with salaries but signing labor contracts in the form of oral agreements such as domestic servants, or signing contracts for service provision such as shippers, tech-based taxi drivers but are not subject to compulsory social insurance participation. Therefore, it is necessary to have a road map to expand compulsory participants to quickly increase the number of participants in the survivorship regime.

- Enhancement of dissemination

It is recommended to strengthen dissemination on the social insurance policy in general and the survivorship regime in particular to raise employees' awareness of the survivorship regime's role, so that they will participate in this regime "voluntarily". In addition, for those who have labor contracts expired but have not yet found a new job, or temporarily stop making premium payment, they should be encouraged not to receive lump-sum social insurance benefit but continue to participate in social insurance later.

- Improvement of the inspection, examination, and strict handling of violations

In order to strengthen the compliance with the law on survivorship regime of employers and employees, competent agencies are suggested to focus on inspecting and examining units that show signs of law violation, establish channels to receive information on violations to take timely measures, and at the same time strictly handle violations.

5. Conclusion

To make the survivor allowance regime truly serve the purpose of supporting the dependents of deceased workers, it is essential to plan and develop policies in a scientific and feasible way. This serves as a prerequisite for effectively implementing this regime, contributing to the achievement of social security goals.

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